

**Michigan Catastrophic
Claims Association**

Financial Statements and Supplemental Schedules
(Statutory Basis of Accounting)
June 30, 2010 and 2009

Michigan Catastrophic Claims Association
Index
June 30, 2010 and 2009

	Page(s)
Report of Independent Auditors	1-2
Financial Statements	
Statutory Statements of Admitted Assets, Liabilities and Accumulated Deficit	3
Statutory Statements of Operations and Accumulated Deficit	4
Statutory Statements of Cash Flows	5
Notes to Statutory Financial Statements	6-19
Supplemental Financial Information	
Report of Independent Auditors on Accompanying Information	20
Supplemental Summary Investment Schedule	21
Supplemental Investment Risks Interrogatories	22-26
Supplemental Schedule of Reinsurance Disclosures (Not included, as all items were "no" or "not applicable")	

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Plaza
1900 St. Antoine Street
Detroit MI 48226-2263
Telephone (313) 394 6000
Facsimile (313) 394 6555

Report of Independent Auditors

To the Board of Directors of the
Michigan Catastrophic Claims Association

We have audited the accompanying statutory statements of admitted assets, liabilities and accumulated deficit of the Michigan Catastrophic Claims Association (the "Association") as of June 30, 2010 and 2009, and the related statutory statements of operations and accumulated deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Association prepared these financial statements using accounting practices prescribed or permitted by the State of Michigan Office of Financial and Insurance Regulation, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Association as of June 30, 2010 and 2009, or the results of its operations or its cash flows for the years then ended.



In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and accumulated deficit of the Association as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 1.

As discussed in Note 1 to the statutory financial statements, the Association received permission from the State of Michigan Office of Financial and Insurance Regulation to discount its liabilities for loss and loss adjustment expenses on a non-tabular basis. This practice differs from prescribed statutory accounting practices. As of June 30, 2010 and 2009, this permitted practice reduced the Association's accumulated deficit by \$52,885,323,000 and \$49,035,990,000 respectively and increased (decreased) the Associations net income by \$3,849,333,000 and (\$1,160,259,000) respectively as compared to what it would have been had the prescribed statutory accounting practice been followed.

Price Waterhouse Coopers LLP

November 12, 2010

Michigan Catastrophic Claims Association
Statutory Statements of Admitted Assets, Liabilities and Accumulated Deficit
June 30, 2010 and 2009

(in thousands)	2010	2009
Admitted Assets		
Cash and invested assets		
Bonds, at amortized cost	\$ 3,133,187	\$ 3,090,123
Preferred stocks, at amortized cost	-	735
Common stocks, at fair value (cost of \$7,213,560 in 2010 and \$6,859,018 in 2009)	7,938,844	7,074,341
Cash and short-term investments	244,643	88,830
Other invested assets	79,056	41,999
	<u>11,395,730</u>	<u>10,296,028</u>
Premiums and other receivables	3,277	1,877
Accrued investment income	33,916	46,756
Other	3,397	3,091
	<u>\$ 11,436,320</u>	<u>\$ 10,347,752</u>
Liabilities and Accumulated Deficit		
Liabilities		
Losses and loss adjustment expenses, less discount of \$52,885,323 in 2010 and \$49,035,990 in 2009	\$ 13,739,520	\$ 12,717,730
Unearned premium assessments	219,352	185,316
Premium deficiency reserve	-	10,737
Premium refunds payable	2,725	152
Accrued expenses	3,105	2,763
Other	17	1,675
Total liabilities	<u>13,964,719</u>	<u>12,918,373</u>
Accumulated deficit	<u>(2,528,399)</u>	<u>(2,570,621)</u>
	<u>\$ 11,436,320</u>	<u>\$ 10,347,752</u>

The accompanying notes are an integral part of these statutory financial statements.

Michigan Catastrophic Claims Association
Statutory Statements of Operations and Accumulated Deficit
Years Ended June 30, 2010 and 2009

(in thousands)	2010	2009
Premium assessments	\$ 827,971	\$ 783,157
Losses and loss adjustment expenses incurred, net of increase in discount of \$3,849,333 in 2010 and decrease of \$1,160,259 in 2009	(1,844,061)	(1,887,385)
Premium deficiency reserve	10,737	(10,737)
Other underwriting expenses	(1,531)	(1,254)
	<u>(1,834,855)</u>	<u>(1,899,376)</u>
Underwriting loss	(1,006,884)	(1,116,219)
Investment income, net of expenses	377,740	366,289
Net realized gains (losses) on sales of investments	148,760	(269,868)
Net other (expense) income	(28)	1,229
Net (loss)	<u>(480,412)</u>	<u>(1,018,569)</u>
Accumulated deficit, beginning of year	(2,570,621)	(907,667)
Increase (decrease) in unrealized investments gains	523,819	(644,552)
(Increase) decrease in nonadmitted assets	(1,185)	167
Accumulated deficit, end of year	<u>\$ (2,528,399)</u>	<u>\$ (2,570,621)</u>

The accompanying notes are an integral part of these statutory financial statements.

Michigan Catastrophic Claims Association
Statutory Statements of Cash Flows
Years Ended June 30, 2010 and 2009

(in thousands)	2010	2009
Premiums collected	\$ 861,968	\$ 750,489
Losses and loss adjustment expenses paid	(821,474)	(768,944)
Underwriting expenses paid	(1,458)	(1,168)
Cash provided by underwriting	39,036	(19,623)
Investment income received, net of expenses	397,674	367,017
Cash from operations	436,710	347,394
Proceeds from investments sold, matured or repaid		
Bonds	6,586,970	8,750,607
Stocks	1,720,824	768,616
Other invested assets	578	-
Total investment proceeds	8,308,372	9,519,223
Cost of investments acquired		
Bonds	(6,568,808)	(8,375,045)
Stocks	(1,991,378)	(1,536,988)
Other invested assets	(30,306)	(17,255)
Total investments acquired	(8,590,492)	(9,929,288)
Net cash used in investments	(282,120)	(410,065)
Cash from financing and miscellaneous sources		
Other applications	1,223	(2,049)
Net cash used in financing and miscellaneous sources	1,223	(2,049)
Net increase (decrease) in cash and short-term investments	155,813	(64,720)
Cash and short-term investments		
Beginning of year	88,830	153,550
End of year	\$ 244,643	\$ 88,830

The accompanying notes are an integral part of these statutory financial statements.

Michigan Catastrophic Claims Association
Notes to Statutory Financial Statements
June 30, 2010 and 2009

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

The Michigan Catastrophic Claims Association (the "Association") was established by Public Act 136 of 1978, which amended the no-fault auto insurance law by adding Section 3104 to the Michigan Insurance Code effective July 1, 1978. The Legislature created the Association because smaller insurance companies had difficulty obtaining reinsurance for Michigan's automobile no-fault policies, which provided for unlimited lifetime medical benefits for people who are catastrophically injured in auto accidents. The Association is an unincorporated non-profit association of which every insurer that sells automobile or motorcycle coverage in Michigan is required to be a member.

The Association is governed by a Board of Directors which consists of five members appointed by the Commissioner of the Office of Financial and Insurance Regulation of the State of Michigan. The Commissioner, or his/her representative, serves as an ex-official member of the Board. In addition, the following standing committees provide assistance in the operation of the Association: (1) actuarial, (2) audit, (3) claims, (4) investment, and (5) personnel.

The Association assesses each member engaged in writing insurance coverages under policies of insurance issued to residents of the State of Michigan, which provide the coverages required (1) for motor vehicles under Section 3101 of the Michigan Insurance Code and (2) for motorcycles under Section 3103 of the Michigan Insurance Code. The Association is required to assess an amount each year that is sufficient to cover the lifetime claims of all persons catastrophically injured in that year and in addition, may adjust future assessments for excesses or deficiencies in prior assessments. These assessments provide funds for the indemnification of those members against ultimate loss sustained under statutory required personal protection insurance coverages in excess of the applicable amount set forth in section 3104(2) of the Michigan Insurance Code. Beginning July 1, 2002, as the result of the enactment of Michigan Public Act 3 of 2001, the member retention level increased from \$250,000 to \$300,000 and will then gradually increase on an incremental basis over a ten-year period until a \$500,000 level is reached on July 1, 2011. Thereafter, beginning July 1, 2013, the retention will be increased each odd numbered year by 6% or the consumer price index, whichever is less. For policies issued or renewed July 1, 2009 through June 30, 2010 the member retention level is \$460,000. The Association's future operations and form are dependent upon the continuation of its enabling state legislation.

Michigan Catastrophic Claims Association
Notes to Statutory Financial Statements
June 30, 2010 and 2009

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the basis of statutory accounting practices as prescribed or permitted by the State of Michigan Office of Financial and Insurance Regulation ("OFIR"). Prescribed statutory accounting practices include the National Association of Insurance Commissioners' ("NAIC") statements of statutory accounting principles, as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The principal differences between statutory accounting practices and generally accepted accounting principles are (a) bonds are reported principally at amortized cost rather than reporting certain bonds at fair value as required by Statement of Financial Accounting Standards ASC 320 and 825, (b) the statement of cash flows has been prepared in accordance with NAIC guidelines as opposed to ASC 230, (c) comprehensive income is not required and, therefore, is not presented in the accompanying financial statements in accordance with ASC 220, (d) certain assets designated as "nonadmitted assets" (principally overdue receivable balances) are excluded from the balance sheet by direct charges to unassigned surplus, and (e) costs related to acquiring business are charged to income when incurred rather than deferred and amortized over the life of the related insurance policy.

Permitted Practice

The OFIR has permitted the Association a certain practice which differs from those found in the NAIC, *Accounting Practices and Procedures Manual – Effective January 1, 2001* ("NAIC SAP"). Specifically, the Association is permitted to discount its losses and loss adjustment expenses ("Losses and LAE") on a non-tabular basis.

A reconciliation of the Association's net loss and accumulated deficit between NAIC SAP and practices permitted by OFIR is shown below:

(in thousands)	2010	2009
Net (loss), State of Michigan basis	\$ (480,412)	\$ (1,018,569)
State permitted practice		
(Increase) decrease in discount on losses and LAE	(3,849,333)	1,160,259
Net (loss) gain, NAIC SAP	<u>\$ (4,329,745)</u>	<u>\$ 141,690</u>
Statutory deficit, State of Michigan basis	\$ (2,528,399)	\$ (2,570,621)
State permitted practice		
Discounting of losses and LAE	(52,885,323)	(49,035,990)
Statutory deficit, NAIC SAP	<u>\$ (55,413,722)</u>	<u>\$ (51,606,611)</u>

Investments

Short-term investments include all investments with maturities, at the time of acquisition, of one year or less and are stated at cost which approximates fair value.

Bonds are generally stated at amortized cost. Stocks are stated at fair value as determined by the Securities Valuation Office (SVO) of the NAIC. For issues that were not evaluated by the SVO, fair values were estimated on prices received from an independent pricing source and market comparables.

Michigan Catastrophic Claims Association
Notes to Statutory Financial Statements
June 30, 2010 and 2009

Realized gains or losses on sale, or other-than-temporary impairments of investments are determined on the basis of specific costs of the investments and credited or charged to operations. Unrealized gains or losses resulting from valuations of common stocks are credited or charged directly to surplus.

Other invested assets consist of limited partnerships and are carried at the Association's equity interest in the limited partnership. The Association's private equity investments consist nearly exclusively of limited partnerships positions in a variety of fund-of-funds. In turn, the fund-of-funds partnerships invest directly in underlying venture capital, buyout, and/or other related private equity partnerships that typically specialize within development stage, technological sector, and/or business size. The fund-of-funds provider acts as a limited partner within these partnership investments and acts to diversify the Association's underlying investments across vintage year, economic cycle, and geography relative to available investment opportunities. The funds-of-funds the Association invests in may purchase secondary fund offerings of, or co-invest directly in private equity investments alongside, underlying general partnerships on behalf of the limited partners in their fund, including the Association.

Under the terms of various limited partnership agreements approved by the MCCA Board of Directors, the Association is obligated to make periodic payments for advance commitments to limited partnerships. As of June 30, 2010, the Association had committed, but not paid, a total of \$317M in funding for these limited partnerships.

Losses and Loss Adjustment Expense

The Association actuarially computes the provision for unpaid losses and loss adjustment expenses using the present value of disbursements expected to be made in the ultimate settlement of the claims reported. The Association bases the provision for unpaid losses and loss adjustment expenses upon information reported to it by its member insurers with respect to reported claims, giving consideration with respect to each reported claim to past payments of the member company and estimated future payments of personal injury protection insurance benefits, with the future payments (initially estimated at current cost levels) then being adjusted to their expected future levels in light of selected claim cost inflation projections; the resultant estimates are adjusted, based upon actuarial tables that incorporate actual emerged Association mortality and closure experience, to reflect the probabilities of each claimant surviving to incur such costs. The Association also includes a provision for incurred but not reported losses based upon the foregoing data. The methods of estimating unpaid losses and loss adjustment expenses are continually reviewed and updated, and any adjustments resulting therefrom are reflected in the current operations. Management believes that the provision for unpaid losses and loss adjustment expenses is adequate; however, inasmuch as these estimated amounts are based on member-reported information, present value, investment yield and mortality assumptions (determined by actuarial tables that incorporate actual emerged Association mortality and closure experience) the ultimate settlement of these liabilities may be significantly greater or less than such estimates.

The payment of losses and loss adjustment expenses is necessary over a long period of time; therefore, the Association has elected a permitted practice to discount its unpaid losses and loss adjustment expenses. The actuarially determined discount rate was 7.1% and 7.2% for 2010 and 2009, respectively. A significant actuarial assumption used in the foregoing provisions is that the investment return rate is equal to the discount rate.

Michigan Catastrophic Claims Association
Notes to Statutory Financial Statements
June 30, 2010 and 2009

Based on forecasts utilizing a long-term perspective, economic assumptions for claim cost inflation and investment returns are formulated. Inflation assumptions are formulated for fifteen different cost component categories using historical Consumer Price Index data. In formulating the discount rate, the Association's portfolio performance and asset mix as well as historical long-term investment returns are considered.

The inflation and investment assumptions used at June 30, 2010 are: (1) inflation assumption: rates for the fifteen different cost component categories, other than for non-inflated costs, range between 2.7% and 7.6%, and (2) investment return assumption: 7.1%. The inflation and investment assumptions used at June 30, 2009 are: (1) Inflation assumption: rates for the fifteen different cost component categories, other than for non-inflated costs, range between 2.7% and 7.5%, and (2) Investments return assumption: 7.2%.

Changes in the inflation assumption for certain cost components and the decrease in investment returns caused the liability for losses and loss adjustment expenses to increase by approximately \$203 million. The remaining adverse development noted on page 17 of the financial statements was primarily due to effects of the unwinding of the discount and additional development in reserve estimates which increased incurred losses and loss adjustment expenses related to the prior year.

Revenue Recognition

Member companies have the option of paying premium assessments on a monthly or annual basis.

Premium assessments are levied on a fiscal year June 30 basis (encompassing the period July 1 through June 30) and the basis for calculating each member's annual premium assessment is the member's total written car years of insurance providing the security required by Sections 500.3101 and 500.3103 of the Michigan Insurance Code.

For each assessment period, a preliminary premium assessment is levied based on a member's total written car years during the immediately preceding assessment period. The preliminary assessment is assessed at the end of each month for member companies electing to pay in equal monthly installments and at the end of August for member companies electing to pay in full.

Subsequent to the Association's fiscal year and as soon as is practicable after the end of each assessment period for which the premium is applicable, a final premium assessment is levied for the period just completed based on actual written car years. Adjustments to the estimated preliminary assessments are recognized in the year the assessment adjustment is billed. This is due to the Association being unable to estimate members' individual or direct written car years.

Assessments are earned and recognized as premium assessments ratably over the premium assessment period. Unearned premium assessments represent the portion of premiums written which is applicable to the unexpired portion of the assessment, calculated by the application of monthly pro rata fractions.

A premium deficiency reserve is required to be recorded if the present value of expected future claim payments including administrative expenses for the current accident year related to unearned assessable exposures exceeds the recorded unearned premium reserve. As of June 30, 2010, no premium deficiency reserve was required to be recorded. As of June 30, 2009 a premium deficiency reserve of \$10,737 was required to be recorded due to a decline in the estimated loss payment discount factor from 7.4% to 7.2%, coupled with the decrease in the premium assessment amount for the 2009 year.

Michigan Catastrophic Claims Association
Notes to Statutory Financial Statements
June 30, 2010 and 2009

The Association's revenues are dependent upon assessments, under applicable statute, to member companies operating in the State of Michigan.

Income Tax

The Association has received a determination letter from the Internal Revenue Service indicating that the Association is exempt from income taxes under Internal Revenue Code Section 501(c)(6).

Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with prescribed or permitted statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assessment of Losses and Deficits

The Association is a nonprofit organization and under the applicable statute all losses and deficits are assessable to member companies. Furthermore, excesses or deficiencies from previous periods may be adjusted in subsequent premium assessments to member companies.

Recognizing the difficulty and uncertainty in predicting the projected claim payments for long-term claims in which medical benefits are unlimited, any such excesses or deficiencies may be fully adjusted in a single assessment period or may be adjusted over several periods ratably or in such proportion as the Association's Board of Directors may deem advisable. The uncertainty in the estimates of the liabilities is primarily due to difficulty in predicting (a) life expectancies, (b) medical cost inflation, (c) investment returns, and (d) claim frequency.

2. Investment in Bonds, Common Stocks and Other Invested Assets

The estimated fair value of bonds is based on information published by the SVO, market quotations and other sources. The amortized cost, gross unrealized gains, gross unrealized losses, estimated fair value and statement value of bonds, common stocks and other invested assets are as follows at June 30, 2010 and 2009, respectively:

(in thousands)	2010				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Statement Value
Bonds					
U.S. government	\$ 907,444	\$ 19,766	\$ (4)	\$ 927,206	\$ 907,444
Special revenue	960,540	53,617	(513)	1,013,644	960,540
Industrial and miscellaneous	1,268,296	135,445	(6,109)	1,397,632	1,265,203
Subtotal	3,136,280	208,828	(6,626)	3,338,482	3,133,187
Common stocks	7,213,560	819,357	(94,073)	7,938,844	7,938,844
Other invested assets	82,385	1,933	(5,262)	79,056	79,056
Total investments	\$ 10,432,225	\$ 1,030,118	\$ (105,961)	\$ 11,356,382	\$ 11,151,087

Michigan Catastrophic Claims Association
Notes to Statutory Financial Statements
June 30, 2010 and 2009

(In thousands)	2009				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Statement Value
Bonds					
U.S. government	\$ 825,728	\$ 15,423	\$ (4,834)	\$ 836,317	\$ 825,728
Special revenue	932,854	38,792	(1,936)	969,710	932,854
Public utilities	13,106	415	(225)	13,296	13,069
Industrial and miscellaneous	1,325,626	48,823	(39,565)	1,334,884	1,318,472
Subtotal	3,097,314	103,453	(46,560)	3,154,207	3,090,123
Preferred stocks	735	-	-	735	735
Common stocks	6,859,018	693,418	(478,093)	7,074,341	7,074,341
Other invested assets	49,857	-	(7,858)	41,999	41,999
Total investments	\$ 10,006,924	\$ 796,869	\$ (532,511)	\$ 10,271,282	\$ 10,207,198

For bonds, the difference between amortized cost and statement value of \$3,093 at June 30, 2010 and \$7,191 at June 30, 2009, is attributable to bonds with an amortized cost and statement value of \$40,268 and \$37,175 at June 30, 2010 and \$65,625 and \$58,434 at June 30, 2009, respectively; that based on applicable NAIC designations, should be reflected at the lower of amortized cost or fair value.

Common stocks include shares in bond mutual funds that invest primarily in fixed income securities with maturities of 1 to 30 years. The cost and estimated fair value for shares of bond mutual funds were \$3,909,604 and \$4,287,432 at June 30, 2010 and \$3,756,532 and \$3,892,786 at June 30, 2009, respectively.

The estimated fair value and gross unrealized losses, by length of time that individual securities have been in a continuous unrealized loss position are as follows at June 30, 2010 and 2009, respectively:

(In thousands)	2010					
	Less Than Twelve Months		Twelve Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Bonds						
U.S. government	\$ -	\$ -	\$ 207	\$ 4	\$ 207	\$ 4
Special revenue	45,032	513	-	-	45,032	513
Industrial and miscellaneous	107,254	4,315	30,030	1,794	137,284	6,109
Subtotal	152,286	4,828	30,237	1,798	182,523	6,626
Common stocks	1,131,451	94,073	-	-	1,131,451	94,073
Other invested assets	2,489	131	55,558	5,131	58,047	5,262
Total investments	\$ 1,286,226	\$ 99,032	\$ 85,795	\$ 6,929	\$ 1,372,021	\$ 105,961

Michigan Catastrophic Claims Association
Notes to Statutory Financial Statements
June 30, 2010 and 2009

(in thousands)	2009					
	Less Than Twelve Months		Twelve Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Bonds						
U.S. government	\$ 331,102	\$ 4,816	\$ 820	\$ 18	\$ 331,922	\$ 4,834
Special revenue	22,394	1,828	7,418	108	29,812	1,936
Public utilities	-	-	11,428	225	11,428	225
Industrial and miscellaneous	397,972	24,635	154,099	14,930	552,071	39,565
Subtotal	751,468	31,279	173,765	15,281	925,233	46,560
Common stocks	1,534,505	50,915	2,590,550	427,178	4,125,055	478,093
Other invested assets	34,703	5,736	7,296	2,122	41,999	7,858
Total investments	\$ 2,320,676	\$ 87,930	\$ 2,771,611	\$ 444,581	\$ 5,092,287	\$ 532,511

Realized gains and losses are determined on a specific identification basis and are credited or charged to income. Unrealized capital gains and losses resulting from the valuation of investments at fair value are credited or charged directly to the accumulated deficit. A decline in the market value of any investment security below cost that is deemed to be other than temporary results in a reduction in the carrying amount to fair value. Fair value is generally the market value at the balance sheet date. The impairment is charged to earnings and a new cost basis is established. Factors considered in evaluating whether a decline in value is other than temporary are: (1) whether the decline is substantial, (2) the Association's ability and intent to retain the investment for a period of time sufficient to allow for anticipated recovery in value, (3) the duration and extent to which market value has been less than cost, (4) the financial condition and near term prospects of the issuer, (5) impact on market values due to the level of interest rates, (6) changes in rating quality, and (7) the NAIC designation. Based on this review, for the twelve months or more category, the gross unrealized losses decreased from the prior period by \$437,652. This is primarily attributable to holdings in diversified stock funds and the impact of the current market environment on market values. Based on the aggregate level per fund, no other than temporary write-down was taken. The amount of other than temporary losses that were written down in 2010 was \$10,297 of which the entire amount relates to securities that the Association continued to hold at June 30, 2010. The amount of other than temporary losses that were written down in 2009 was \$212,541, of which \$65,169 relates to securities that were sold during the year and \$147,372 relates to securities that the Association continued to hold at June 30, 2009.

The amortized cost and estimated fair value of bonds at June 30, 2010, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(in thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 77,092	\$ 77,686
Due after one year through five years	775,826	801,516
Due after five years through ten years	740,803	808,235
Due after ten years	535,682	590,827
Asset-backed securities	892,067	937,738
Mortgage-backed securities	114,810	122,480
	\$ 3,136,280	\$ 3,338,482

Michigan Catastrophic Claims Association
Notes to Statutory Financial Statements
June 30, 2010 and 2009

Proceeds from sales of investments in bonds and common stocks were \$8,307,794 in 2010 and \$9,074,311 in 2009 of which gross realized gains and losses were \$203,102 and \$45,658 in 2010 and \$167,674 and \$223,325 in 2009, respectively.

(in thousands)	2010	2009
Investment income		
Interest		
Fixed maturities	\$ 131,197	\$ 156,708
Short-term investments	1,786	9,083
Dividends on preferred stock	35	46
Dividends on common stock	254,508	205,489
Other	3,475	7,833
Gross investment income	391,001	379,159
Investment expenses	13,261	12,870
Net investment income	\$ 377,740	\$ 366,289

The Association participates in a custodial bank securities lending program, whereby securities have been lent to various brokers. The collateral provided as security is required, at the inception of the loan, to equal at least 102% of the market value of the loaned securities plus accrued interest. The loaned securities and collateral are required to be marked to market on a daily basis; and if the market value of the collateral is less than the required value, additional collateral must be posted subject to the custodian's deminimis rule for maintenance margins. The total amount of securities to be lent cannot exceed 10% of the Association's total portfolio. The market value of securities lent and the market value of collateral provided were \$808,736 and \$828,550 as of June 30, 2010 and \$669,621 and \$686,160 as of June 30, 2009, respectively.

3. Fair Value Measurements

The Association has previously adopted the provisions of ASC 820. ASC 820 defines fair value as the price that would be received upon selling an investment in a timely transaction to an independent buyer in the principle or most advantageous market of the investment. The Association's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by ASC 820 which prioritizes the inputs to valuation techniques used to measure fair value. A financial instrument's level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are summarized below:

- Level 1 – Observable inputs that reflect unadjusted quoted prices for identical securities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1 such as quoted prices for similar securities, interest rates, prepayment schedules, and credit risk for fixed income securities; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs including the Association's own assumptions in determining the fair value of investments.

Michigan Catastrophic Claims Association
Notes to Statutory Financial Statements
June 30, 2010 and 2009

Included in various investment related line items in the financial statements are certain instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds when carried at lower of amortized cost or market.

Assets measured at fair value on a recurring basis are summarized below at June 30, 2010 and 2009, respectively:

(in thousands)	Fair Value Measurements at June 30, 2010			
	Total	Level 1	Level 2	Level 3
Description				
Stocks	\$ 7,938,844	\$ 2,790,249	\$ 5,148,595	\$ -
Short-term investments, money market funds	255,476	255,476	-	-
Other invested assets	79,056	-	-	79,056
Total	<u>\$ 8,273,376</u>	<u>\$ 3,045,725</u>	<u>\$ 5,148,595</u>	<u>\$ 79,056</u>

(in thousands)	Fair Value Measurements at June 30, 2009			
	Total	Level 1	Level 2	Level 3
Description				
Stocks	\$ 7,075,076	\$ 2,360,547	\$ 4,714,529	\$ -
Short-term investments, money market funds	271,021	271,021	-	-
Other invested assets	41,999	-	-	41,999
Total	<u>\$ 7,388,096</u>	<u>\$ 2,631,568</u>	<u>\$ 4,714,529</u>	<u>\$ 41,999</u>

Level 1 Measurements

Level 1 assets include actively-traded exchange-listed equity securities, mutual funds and short-term money market mutual funds. Valuations are based upon unadjusted quoted exchange prices for equity securities and quoted net asset value for actively-traded mutual funds and money-market funds.

Level 2 Measurements

Level 2 assets include equity funds and bond index funds in which an evaluated net asset value price is provided by a pricing vendor based on observable data.

Level 3 Measurements

Level 3 assets include investments in private equity limited partnerships. The amount carried represents management's estimation of the price the assets would sell for in the open market.

Assets measured at fair value on a nonrecurring basis are summarized below at June 30, 2010 and 2009, respectively:

Michigan Catastrophic Claims Association
Notes to Statutory Financial Statements
June 30, 2010 and 2009

(in thousands)		Fair Value Measurements at June 30, 2010			
		Total	Level 1	Level 2	Level 3
Description					
Bonds		\$ 32,043	\$ -	\$ 32,043	\$ -
Total		<u>\$ 32,043</u>	<u>\$ -</u>	<u>\$ 32,043</u>	<u>\$ -</u>

(in thousands)		Fair Value Measurements at June 30, 2009			
		Total	Level 1	Level 2	Level 3
Description					
Bonds		\$ 107,385	\$ -	\$ 107,385	\$ -
Total		<u>\$ 107,385</u>	<u>\$ -</u>	<u>\$ 107,385</u>	<u>\$ -</u>

Level 2 Measurements

Level 2 assets include below investment grade bonds.

The following is a summary of changes for the twelve months ended June 30, 2010 and 2009, respectively, in the fair value of Level 3 assets which are carried at fair value on a recurring basis:

		2010
(in thousands)		Other Invested Assets
Balance at June 30, 2009		\$ 41,999
Total gains/(losses) (realized/unrealized)		
Included in net income		-
Included in surplus		7,178
Purchases, issuances and settlements		29,879
Transfers in and/or out of level 3		-
Balance at June 30, 2010		<u>\$ 79,056</u>

Michigan Catastrophic Claims Association
Notes to Statutory Financial Statements
June 30, 2010 and 2009

	2009
(in thousands)	
Balance at June 30, 2008	\$ 33,501
Total gains/(losses) (realized/unrealized)	
Included in net income	-
Included in surplus	(8,606)
Purchases, issuances and settlements	17,104
Transfers in and/or out of level 3	-
Balance at June 30, 2009	\$ 41,999

4. Additional Fair Value of Financial Information

The following methods and assumptions were used to estimate the fair value of each significant class of financial instruments for which it is practicable to estimate that value:

(in thousands)	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bonds	\$ 3,133,187	\$ 3,338,482	\$ 3,090,123	\$ 3,154,207
Preferred stocks	-	-	735	735
Common stocks	7,938,844	7,938,844	7,074,341	7,074,341
Cash and short-term investments	244,643	244,643	88,830	88,830
Other invested assets	79,056	79,056	41,999	41,999
Premiums and other receivables	3,277	3,277	1,877	1,877
Accrued investment income	33,916	33,916	46,756	46,756

Bonds and Stocks

Fair values were determined by the SVO. For issues that were not evaluated by the SVO, fair values were estimated based on prices received from an independent pricing source and market comparables.

Cash and Short-Term Investments, Premiums Receivable and Accrued Investment Income

The carrying amount of these assets, premiums receivable and accrued investment income approximate their fair value.

Other Invested Assets

Fair values represent the ownership equity of each limited partnership. Due to the timing of the receipt of statements from each limited partnership, the Association reflects changes in equity value on a three months in arrears basis. As these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

Michigan Catastrophic Claims Association
Notes to Statutory Financial Statements
June 30, 2010 and 2009

5. Liability for Losses and Loss Adjustment Expenses

Activity in the discounted liability for losses and loss adjustment expenses is summarized as follows:

(in thousands)	2010	2009
Net balance, beginning of year	\$ 12,717,730	\$ 11,599,345
Incurred related to		
Current year	816,281	832,014
Prior years	1,027,780	1,055,371
Total incurred	1,844,061	1,887,385
Paid related to		
Current year	8,061	9,534
Prior years	814,210	759,466
Total paid	822,271	769,000
Net balance, end of year	\$ 13,739,520	\$ 12,717,730

Each year a re-estimation of unpaid losses and loss adjustment expenses is made based on an ongoing analysis of many factors, including (1) recent loss development trends, (2) continued review of individual claims as additional information is received, (3) frequency and severity trends, and (4) economic assumptions for investment returns and claim cost inflation. In addition refinements in (1) the underlying actuarial methodology and (2) the mortality and claim closure model, are done as warranted.

Unfavorable development relating to prior years incurred in both 2010 and 2009.

For 2010, unfavorable development was primarily the result of (1) the difference in timing of the underlying discounted reserves at different valuation dates (unwinding of the discount), (2) the effects on the changes in the economic assumptions for claim cost inflation and investment returns, and (3) unanticipated additional development in reserve estimates. The effects of the unwinding of the discount, changes in the economic assumptions and additional development in reserve estimates were to increase incurred losses and loss adjustment expense related to prior years by approximately \$886,874, \$203,000, and \$39,000 respectively.

For 2009, unfavorable development was primarily the result of (1) the difference in timing of the underlying discounted reserves at different valuation dates (unwinding of the discount), (2) the effects on the changes in the economic assumptions for claim cost inflation and investment returns, and (3) changes in the claim closure model. This unfavorable development was offset by unanticipated downward development in reserve estimates. The effects of the unwinding of the discount, changes in the economic assumptions and changes in the claim closure model were to increase incurred losses and loss adjustment expense related to prior years by approximately \$831,371, \$318,000, and \$230,000 respectively. The effect of the downward development in reserve estimates was to decrease incurred losses and loss adjustment expenses related to prior years by approximately \$324,000.

Michigan Catastrophic Claims Association
Notes to Statutory Financial Statements
June 30, 2010 and 2009

6. Employee Retirement Plan

The Association, as an employer, participates in the Pension Plan for Insurance Organizations. Substantially all of the Association's employees are covered by this non-contributory qualified defined benefit pension plan. Benefits are based on years of service and the employee's compensation during the last ten years of employment.

A summary of assets, obligations and assumptions of the Association's pension plan are as follows at June 30, 2010 and 2009:

(in thousands)	Pension Benefits	
	2010	2009
Benefit obligation at year end	\$ 2,776	\$ 2,010
Fair value of plan assets at year end	1,447	1,171
Underfunded status of plan	<u>\$ 1,329</u>	<u>\$ 839</u>
Accrued benefit cost recognized in the statement of admitted assets, liabilities and accumulated deficit	<u>\$ -</u>	<u>\$ -</u>
Weighted-average assumptions as of June 30:		
Discount rate	5.50%	6.50%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase	4.00%	4.00%
Pension Benefits		
	2010	2009
Benefit cost	\$ 798	\$ 358
Employer contributions	147	111
Benefits paid	<u>\$ 33</u>	<u>\$ 31</u>
Breakdown of the percentage of plan assets by asset category as of June 30:		
	2010	2009
Equity securities	50.4%	53.3%
Debt securities	47.4%	43.8%
Real estate	0.0%	0.0%
Other	2.2%	2.9%
Total	<u>100.0%</u>	<u>100.0%</u>

The expected long-term rate of return on assets assumption for the year beginning July 1, 2010 is 8.0%. This assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class. The target asset allocation is 60.0% equity securities and 40.0% debt securities.

Michigan Catastrophic Claims Association
Notes to Statutory Financial Statements
June 30, 2010 and 2009

Expected benefit payment payments are as follows during each fiscal year ending June 30:

2011	\$	46
2012		59
2013		65
2014		73
2015		83
2016-2020	\$	721

7. Litigation and Claims

Various legal actions and other claims are pending or may be instituted or asserted in the future against the Association. Some of these matters involve or may involve claims in large amounts or other relief which, if granted, would require very significant expenditures. Management believes that all liabilities on pending legal actions have been adequately included in its established loss reserves.

Litigation is subject to many uncertainties, the outcome of individual litigated matters is not predictable with assurance and it is reasonably possible that some of the foregoing matters could be decided unfavorably to the Association. Although the amount of liability at June 30, 2010, with respect to these matters cannot be ascertained, management believes that any resulting liability would not materially affect the financial position or results of operations of the Association.

8. Accumulated Deficit

The portion of accumulated deficit represented by or reduced by each item is as follows as of June 30, 2010:

(in thousands)	2010	2009
Net unrealized gains	\$ 725,752	\$ 201,933
Nonadmitted asset		
Premiums receivable	1,228	15
Furniture and equipment	48	77
Prepaid expenses	28	27

9. Subsequent Events

We evaluated the effects of subsequent events from June 30, 2010 through November 12, 2010, the date the financial statements were available to be issued.

Supplemental Financial Information

**Report of Independent Auditors
on Accompanying Information**

To the Board of Directors of the
Michigan Catastrophic Claims Association

The report on our audit of the basic statutory financial statements (the "financial statements") of the Michigan Catastrophic Claims Association (the "Association") as of June 30, 2010, and for the year then ended, is presented on pages one and two of this document. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Supplemental Summary Investment Schedule and Supplemental Investment Risks Interrogatories of the Association as of June 30, 2010, and for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements. The effects on the Supplemental Summary Investment Schedule and Supplemental Investment Risks Interrogatories of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. As a consequence, the Supplemental Summary Investment Schedule and Supplemental Investment Risks Interrogatories do not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Association as of June 30, 2010, or for the year then ended. The Supplemental Summary Investment Schedule and Supplemental Investment Risks Interrogatories have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

November 12, 2010

Michigan Catastrophic Claims Association
Supplemental Summary Investment Schedule
June 30, 2010
(Prepared on a Statutory Basis of Accounting)

(In thousands)	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	Amount	Percent	Amount	Percent
1. Bonds				
1.1 U.S. treasury securities	\$ 498,105	4.371%	\$ 498,105	4.371%
1.2 U.S. Government agency obligations				
1.21 Issued by U.S. government agencies	225,393	1.978%	225,393	1.978%
1.22 Issued by U.S. government-sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)	9,444	0.083%	9,444	0.083%
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.				
1.41 U.S. states and territories general obligations				
1.42 Political subdivisions of U.S. states, territories and possessions general obligations				
1.43 Revenue and assessment obligations	44,216	0.388%	44,216	0.388%
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS)				
1.51 Pass-through securities				
1.511 Guaranteed by GNMA	126,928	1.114%	126,928	1.114%
1.512 Issued by FNMA and FHLMC	921,674	8.088%	921,674	8.088%
1.513 Other pass-through securities				
1.52 Other mortgage-backed securities				
1.521 Issued by FNMA, FHLMC or GNMA	48,482	0.425%	48,482	0.425%
1.522 Other mortgage-backed securities collateralized by MBS issued or guaranteed by FNMA, FHLMC or GNMA	66,294	0.582%	66,294	0.582%
1.523 All other mortgage-backed securities				
2. Other debt securities (excluding short-term)				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	996,995	8.749%	996,995	8.749%
2.2 Unaffiliated foreign securities	195,658	1.717%	195,658	1.717%
2.3 Affiliated securities				
3. Equity interests				
3.1 Investments in mutual funds				
3.2 Preferred stocks				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks)				
3.31 Affiliated				
3.32 Unaffiliated	7,938,844	69.665%	7,938,844	69.665%
3.4 Other equity securities				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Tangible personal property under leases				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
5. Real estate investments				
5.1 Property occupied by the company				
5.2 Property held for production of income				
5.3 Property held for sale				
6. Policy loans				
7. Receivables for securities				
8. Cash and short-term investments	244,643	2.147%	244,643	2.147%
9. Other invested assets	79,056	0.694%	79,056	0.694%
10. Total invested assets	\$ 11,395,730	100.000%	\$ 11,395,730	100.000%

See Report of Independent Auditors on Supplemental Financial Information.

Michigan Catastrophic Claims Association
Supplemental Investment Risks Interrogatories
June 30, 2010
(Prepared on a Statutory Basis of Accounting)

Answer the following interrogatories by stating the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments as shown on the Summary Investment Schedule. All reporting entities must answer interrogatories 1, 2, 3, 4, 11 and, if applicable 20 and 24. Answer each of the interrogatories 5 through 19 (except 11) only if the reporting entity's aggregate holding in the gross investment category addressed in that interrogatory equals or exceeds 2.5% of the reporting entity's total admitted assets. For Life, Health and Fraternal blanks, responses are to exclude Separate Accounts.

1. State the reporting entity's total admitted assets as reported on page two of the NAIC Annual Statement. \$11,436,320,000
2. State by investment category the 10 largest exposures to a single issuer/borrower/investment, excluding (i) U.S. government, U.S. government agency securities and those U.S. government money market funds listed in the Appendix to the SVO Purposes and Procedures Manual as exempt, (ii) property occupied by the company and (iii) policy loans.

	1	2	3
			Percentage of
Investment category	Amount		Total Admitted
	(in thousands)		Assets
2.01 Publicly Traded Equity Securities - Prudential Inst Index Fund	\$ 3,038,556		26.6%
2.02 Publicly Traded Equity Securities - Vanguard Inst. Index Fund	1,780,136		15.6%
2.03 Publicly Traded Equity Securities - Mondrian Intl. Equity Fund	861,162		7.5%
2.04 Publicly Traded Equity Securities - Vanguard Midcap Index Fund	268,857		2.4%
2.05 Industrial & Miscellaneous - Benchmark Diversified	255,476		2.2%
2.06 Special Revenue Obligations - FNMA Pool AE0104	47,499		0.4%
2.07 Special Revenue Obligations - FNMA Pool 555531	43,724		0.4%
2.08 Special Revenue Obligations - FNMA Pool 725027	32,836		0.3%
2.09 Special Revenue Obligations - FNMA Pool 738567	32,288		0.3%
2.10 Special Revenue Obligations - FNMA Pool AD0217	31,325		0.3%

3. State the amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	1	2	Preferred	1	2
		(in thousands)		Stocks	(in thousands)	
3.01 NAIC - 1	\$	2,667,642	23.3%	3.07 P/PSF - 1	\$	0.0%
3.02 NAIC - 2		351,424	3.1%	3.08 P/PSF - 2	-	0.0%
3.03 NAIC - 3		76,584	0.7%	3.09 P/PSF - 3	-	0.0%
3.04 NAIC - 4		24,293	0.2%	3.10 P/PSF - 4	-	0.0%
3.05 NAIC - 5		10,654	0.1%	3.11 P/PSF - 5	-	0.0%
3.06 NAIC - 6		2,590	0.0%	3.12 P/PSF - 6	-	0.0%

See Report of Independent Auditors on Supplemental Financial Information.

Michigan Catastrophic Claims Association
Supplemental Investment Risks Interrogatories

June 30, 2010

(Prepared on a Statutory Basis of Accounting)

4. State the amounts and percentages of the reporting entity's total admitted assets held in foreign investments (regardless of whether there is any foreign currency exposure) and unhedged foreign currency exposure (defined as the statement value of investments denominated in foreign currencies which are not hedged by financial instruments qualifying for hedge accounting as specified in SSAP No. 31 – Derivative Instruments), including (i) foreign-currency-denominated investments of \$0 (ii) supporting insurance liabilities in that same foreign currency of \$0 and excluding (iii) Canadian investments and currency exposure of \$0:

Assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets, detail not required for interrogatories 5-10.

Yes ☒ No ☐

5. Aggregate foreign investment exposure by NAIC sovereign rating.

Not applicable

6. Two largest foreign investment exposures to a single country, categorized by NAIC sovereign rating.

Not applicable

7. Aggregate unhedged foreign currency exposure.

Not applicable

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating.

Not applicable

9. Two largest unhedged currency exposures to a single country, categorized by NAIC sovereign rating.

Not applicable

10. List the 10 largest sovereign (i.e. non-governmental) foreign issues.

Not applicable

11. State the amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure, including Canadian-currency-denominated investments of \$0 supporting Canadian-denominated insurance liabilities of \$0.

Assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 12.

Yes ☒ No ☐

12. Aggregate Canadian investment exposure.

13. State the amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions (defined as investments having restrictions that prevent investments from being sold within 90 days).

Assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 13.

Yes ☒ No ☐

See Report of Independent Auditors on Supplemental Financial Information.

Michigan Catastrophic Claims Association
Supplemental Investment Risks Interrogatories
June 30, 2010
(Prepared on a Statutory Basis of Accounting)

14. State the amounts and percentages of admitted assets held in the largest 10 equity interests (including investments in the shares of mutual funds, preferred stocks, publicly traded securities, and other equity securities, and excluding money market and bond mutual funds listed in the Appendix to the SVO Practices and Procedures Manual as exempt or Class 1).

Assets held in equity interests less than 2.5% of the reporting entity's total admitted assets, detail not required Yes ☐ No ☒

1 Investment Category		2	3
		(in thousands)	
14.01	Publicly traded equity securities - Prudential Inst Index Fund	\$ 3,038,556	26.6%
14.02	Publicly traded equity securities - Vanguard Inst. Index Fund	1,780,136	15.6%
14.03	Publicly traded equity securities - U.S. Tips Index Fund	1,248,876	10.9%
14.04	Publicly traded equity securities - Mondrian Intl. Equity Fund	861,162	7.5%
14.05	Publicly traded equity securities - Vanguard Midcap Index Fund	268,857	2.4%
14.06	Publicly traded equity securities - Green Mountain Coffee Roasters Inc.	8,702	0.1%
14.07	Publicly traded equity securities - Polycorn Inc.	7,268	0.1%
14.08	Publicly traded equity securities - SXC Health Solutions Corporation	7,141	0.1%
14.09	Publicly traded equity securities - Lincare Holdings Inc.	6,244	0.1%
14.10	Publicly traded equity securities - Skyworks Solutions Inc.	6,140	0.1%

15. State the amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities (included in other equity securities) and excluding securities eligible for sale under (i) Securities and Exchange Commission (SEC) Rule 144a or (ii) SEC Rule 144 without volume restrictions.

Assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entities total admitted assets, detail not required. Yes ☒ No ☐

16. State the amounts and percentages of the reporting entity's total admitted assets held in general partnership interests (included in other equity securities).

Assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets, detail not required. Yes ☒ No ☐

17. With respects to mortgage loans reported in Schedule B, state the amounts and percentages of the reporting entities total admitted assets held.

Mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets, detail not required for interrogatories 17 and 18. Yes ☒ No ☐

18. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date.

See Report of Independent Auditors on Supplemental Financial Information.

Michigan Catastrophic Claims Association
Supplemental Investment Risks Interrogatories
June 30, 2010
(Prepared on a Statutory Basis of Accounting)

19. State the amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate reported in Schedule A, excluding property occupied by the company.

Assets held in each of the five largest investments in one parcel of real estate reported in Schedule A less than 2.5% of the reporting entity's total admitted assets, detail not required.

Yes [X] No []

20. State the amount and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

(in thousands)	At Year-End		At End of Each Quarter (Unaudited)		
	1	2	1st Qtr	2nd Qtr	3rd Qtr
20.01 Securities lending (do not include assets held as collateral for such transactions)	\$ 808,736	7.1%	\$ 684,210	\$ 748,057	\$ 1,012,764
20.02 Repurchase agreements					
20.03 Reverse repurchase agreements					
20.04 Dollar repurchase agreements					
20.05 Dollar reverse repurchase agreements					

21. State the amounts and percentages indicated below for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	1	2	3	4
21.01 Hedging	\$ -	0 %	\$ -	0 %
21.02 Income generation	-	0 %	-	0 %
21.03 Other	-	0 %	-	0 %

22. State the amounts and percentages indicated below of potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) for collars, swaps, and forwards:

	At Year-End		At End of Each Quarter		
	1	2	1st Qtr	2nd Qtr	3rd Qtr
22.01 Hedging	\$ -	0 %	\$ -	\$ -	-
22.02 Income generation	-	0 %	-	-	-
22.03 Replications	-	0 %	-	-	-
22.04 Other	-	0 %	-	-	-

See Report of Independent Auditors on Supplemental Financial Information.

Michigan Catastrophic Claims Association
Supplemental Investment Risks Interrogatories
June 30, 2010
(Prepared on a Statutory Basis of Accounting)

23. State the amounts and percentages indicated below of potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) for futures contracts:

		At Year-End		1st Qtr	At End of Each Quarter		3rd Qtr
		1	2	3	2nd Qtr	4	5
23.01	Hedging	\$ -	0 %	\$ -	\$ -	\$ -	\$ -
23.02	Income generation	-	0 %	-	-	-	-
23.03	Replications	-	0 %	-	-	-	-
23.04	Other	-	0 %	-	-	-	-

24. State the amounts and percentages of 10 largest investments included in the Write-ins for Invested Assets category included on the Summary Investment Schedule:

	1	2	3
24.01		\$ -	- %
24.02		-	- %
24.03		-	- %
24.04		-	- %
24.05		-	- %
24.06		-	- %
24.07		-	- %
24.08		-	- %
24.09		-	- %
24.10		-	- %

